

SUMMARY APPRAISAL REPORT OF:

**12.25 ACRES, MIF ALBRIGHT GOLF
COURSE
SEQ CLUBHOUSE MEMORIAL ROAD AND
ISLAND DRIVE
BAY FARM ISLAND
ALAMEDA, CALIFORNIA 94502**

FOR

**MR. ANDREW THOMAS
PLANNING SERVICES MANAGER
CITY OF ALAMEDA
PLANNING AND BUILDING DEPARTMENT
2263 SANTA CLARA AVENUE
ALAMEDA, CALIFORNIA 94501**

AS OF

OCTOBER 26, 2011

November 1, 2011

Mr. Andrew Thomas
Planning Services Manager
City of Alameda
Planning and Building Department
2263 Santa Clara Avenue
Alameda, CA 94501

Re: Appraisal of 12.25 Acres, Mif Albright Golf Course
SEQ Clubhouse Memorial Road and Island Drive
Alameda, CA 94502

Dear Mr. Thomas:

As you requested in our engagement letter, we have appraised the above identified property. The purpose of the appraisal assignment is to provide an opinion of value of the fee simple interest in 12.25 Acres located within the Chuck Corica Municipal Golf Complex in Alameda. The intended use of the appraisal is to assist the City of Alameda in evaluating the merits of a potential land swap.

The property in question is valued subject to the hypothetical conditions and extraordinary assumptions stated in this report.

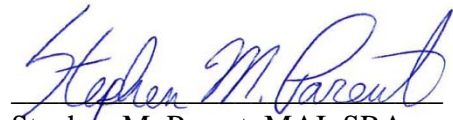
This is a "Summary Appraisal Report" as defined by USPAP. As such, it presents a summary of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. The depth of discussion contained in this report is specific to the needs of the client and of the intended use stated in this report. The following report sets forth a summary of the descriptive and factual data, the assumptions and conditions affecting the appraisal, and the findings and analyses that lead to and support our value opinion. The appraisers are not responsible for unauthorized use of this report. Every effort has been made to conform to the Standards of Professional Practice of the Appraisal Institute, which fully incorporate the Uniform Standards of Professional Practice (USPAP) of the Appraisal Foundation¹. The undersigned conducted the appraisal and prepared the report.

¹The Appraisal Institute is a national organization of appraisers that self-regulates its members, and the undersigned is a designated Member of the Appraisal Institute (MAI). A Member must adhere to the Institute's ethics code and standards. The U.S. congress has tasked the Appraisal Foundation to set standards and procedures with which state-certified appraisers must comply when appraising property interests involved in federally-regulated transactions.

*Mr. Andrew Thomas
City of Alameda
November 1, 2011
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We are pleased to have this opportunity to provide you with professional appraisal services.

BENDER ROSENTHAL, INC.



Stephen M. Parent, MAI, SRA
California Certified General
Real Estate Appraiser
Certificate No. AG042853

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ADDENDUM

ITEM 1 PROFESSIONAL QUALIFICATIONS

PROPERTY IDENTIFICATION AND SUMMARY OF SALIENT FACTS

***Note:** The analysis that follows is subject to the hypothetical conditions and extraordinary assumptions stated in this report.*

Appraisal Assignment:	To provide an opinion of market value of the Fee Simple interest of the subject property, subject to the hypothetical conditions and extraordinary assumptions stated on page 3 of this report.
Property Location:	SEQ Clubhouse Memorial Road and Island Drive Bay Farm Island Alameda, CA
Property Data Legal Description:	The subject property is situated in the City of Alameda, Alameda County, California. The client has represented that the City of Alameda owns the property being appraised. We were not provided with a copy of a title report. No warranties are made for matters pertaining to title.
Assessor's Parcel Number:	074-1040-003-19 (a 12.25 acre portion) – Sources within the assessor's office indicated the parcel number was changed to -003-21. Other information provided by the client indicates the parcel number is as stated in this report -003-19. Regardless of the actual assessor's parcel number, the property appraised is not in doubt. The property appraised is 12.25 acres of the Chuck Corica Golf Complex, on which the 9-hole golf course (Mif Albright) currently resides.
Site Area/Description:	12.25 acres, 533,610 square feet
Current General Plan:	Parks and Public Open Space
Current Zoning:	O (Open Space)
Proposed General Plan:	Medium Density Residential
Proposed Zoning:	R-2/PD, Two-Family Residential / Planned Development.

Entitlement assumptions: Approved Tentative Map for 130 detached single family residential lots.

Note: The proposed General Plan, Zoning, and entitlements are assumed to be in place as hypothetical conditions pertaining to this assignment. The analysis and conclusions that follow are subject to the hypothetical conditions and extraordinary assumptions stated in this report.

Flood Information: Flood Zone AO, an area inundated by 100-year flooding, for which average depths have been determined; flood depths range from 1 to 3 feet.

Seismic Information: The property is located in the San Francisco Bay area, an area known to be seismically active. The site is located in a seismic liquefaction zone, along with all of Bay Farm Island.

Toxic Hazards Information: We were not provided with a Phase I assessment for the subject property. No evidence of contamination was noted upon inspection of the property. However, the appraiser is not an expert in this field and is not qualified to detect or advise on these matters. This appraisal assumes that there is no toxic contamination on the subject property. Please refer to the General Limiting Conditions regarding hazardous materials.

Topography / Soil Conditions: The topography of the site is level. No Phase I assessment was provided for the subject property. Discussions with the client indicated that the site is comprised of soft, sandy soils with clay and mud present. Information provided by the client indicated that portions of the Chuck Corica complex were once used as farmland. This historic use, as well as dredging and use of some areas as a landfill, indicate further site investigation regarding soil conditions, the potential for toxic hazards, drainage issues, and how these issues impact off-site and on-site development costs, is warranted. The client indicated that it was likely that geotechnical work would be required prior to residential construction. This typically increases development costs and is discussed later in this report.

Wetlands:	No studies provided. A small waterway appears to be present toward the eastern boundary of the site near the maintenance shed. The appraiser assumes no wetlands exist that adversely impact value.
Current Use:	The subject land is part of the Chuck Corica Golf Complex. The property appraised is referred to as the Mif Albright Golf Course, an operating 9-hole course.
Adjacent Uses:	North / East – Golf Complex uses such as two 18-hole golf course, proshops, clubhouse, restaurant, driving range, practice area. West – Senior housing and single family residential. South – Single family residential.
Proposed Use:	Single family residential development, 130 lots. Please reference the hypothetical conditions and extraordinary assumptions.
Highest and Best Use As Vacant:	Single family residential development. Please reference the hypothetical conditions and extraordinary assumptions.
Exposure Period:	Based upon current market conditions, an estimated exposure period of 12 months or less is considered appropriate.

(The property appraised is identified by the red outline, a 12.25 acre portion of the Chuck Corica Golf Complex shown in green outline)



SUBJECT PROPERTY PHOTOGRAPHS



Looking south along Island Drive, from intersection of Clubhouse Memorial, subject on left



Looking north along Island Drive, from intersection of Clubhouse Memorial Road

SUBJECT PROPERTY PHOTOGRAPHS



Looking east along Clubhouse Memorial Road, subject on right



Subject, as viewed from Clubhouse Memorial Drive

SUBJECT PROPERTY PHOTOGRAPHS



Subject, as viewed from Clubhouse Memorial Drive



Subject, as viewed from Clubhouse Memorial Drive

SUBJECT PROPERTY PHOTOGRAPHS



Subject, as viewed from Clubhouse Memorial Drive



Looking south along Island Drive, from intersection of Maitland Drive

SUBJECT PROPERTY PHOTOGRAPHS



Looking south along Island Drive, from intersection of Maitland Drive, subject on right



Looking southeast along Maitland Drive from intersection of Island Drive, subject on left

SUBJECT PROPERTY PHOTOGRAPHS



Subject, as viewed from Maitland Drive



Subject, as viewed from Maitland Drive

I. INTRODUCTION

SUBJECT PROPERTY

The property appraised is an operating, public nine-hole golf course. It is a 12.25 acre portion of the Chuck Corica Golf Complex located at 1 Clubhouse Memorial Drive on Bay Farm Island, Alameda. The site is mostly vacant, flat land. Any ancillary improvements on the site for the current use are not valued within this report as this valuation pertains to land only.

PURPOSE OF THE APPRAISAL; PROPERTY RIGHTS APPRAISED

The purpose of the appraisal assignment is to provide an opinion of the fee simple value for the site, subject to the hypothetical condition that the property has been entitled for a residential use with an approved tentative map for 130 single family detached residential units.

FUNCTION OR USE OF THE APPRAISAL

This appraisal will be used by the client in order to evaluate the feasibility of a potential land swap transaction. The appraiser has not authorized any other use of this report, and any other use may be inappropriate.

SCOPE OF THE APPRAISAL

The appraisal assignment involved an inspection of the subject property by the appraiser, interviews with government departments having jurisdiction over the property, and collection of data pertaining to the subject property and the relevant market. Information was obtained from the client, public records, publications, appraisal office files, developers, builders, brokers, and sales agents. Sales data were confirmed with parties directly involved in the transactions, unless otherwise stated.

The valuation process also involved an investigation and analysis of regional area demographic and economic trends, and the Alameda County regional housing markets. Neighborhood attributes such as amenities, services, facilities, and other factors that could influence value were identified. The highest and best use of the property has been considered in light of these trends and factors.

Information considered relevant to the appraisal assignment has been summarized in the appraisal, and data pertaining to value have been analyzed using the Sales Comparison Approach. The subject is vacant land, and the Cost and Income approaches are not applicable to this assignment. The steps taken to estimate the market value of the property include the following:

- Overview of the current real estate market;
- Overview of regional and neighborhood data;

- Inspection of the subject property and data pertaining to the subject property;
- Research of comparable properties through sources including Co-Star, homebuilders, brokers that represent homebuilders, and other appraisers;
- Discussions with real estate agents and buyers/sellers in the area; and
- Analysis of this data and calculations.

TYPE OF REPORT

According to USPAP, this appraisal is presented in a summary report format.

DEFINITIONS USED IN THE REPORT

Market Value² means the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market; and
4. Payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Fee Simple Estate³ is the absolute ownership of real property unencumbered by any other interest, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Exposure Time⁴ is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Based upon current market conditions, an exposure period of 12 months or less is appropriate.

² Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C – Appraisals, 34.42 Definitions [f].

³ The Dictionary Of Real Estate Appraisal (Fifth Edition), Appraisal Institute, Chicago, Illinois, 2010, p. 78.

⁴ Source: Uniform Standards of Professional Appraisal Practice 2010 Edition; Statement 6.

VALUE PREMISE

The value estimate is stated in terms of cash.

DATE OF VALUATION AND DATE OF THE REPORT

The effective date of value is the last date of inspection on October 26, 2011. The date of the report is the date of the letter of transmittal on November 1, 2011.

HYPOTHETICAL CONDITIONS

1. The property is currently used as a public golf course. This appraisal is made subject to the hypothetical condition that the general plan has been amended to a medium density residential use, the zoning has been changed to R-2/PD, and a tentative map has been approved allowing 130 detached single family residential units.

EXTRAORDINARY ASSUMPTIONS

1. A preliminary title report was not provided for this analysis. This appraisal assumes that the subject is not impacted by any title issues that adversely impact value.
2. No development cost studies have been completed so none were provided to the appraiser. This appraisal assumes that the required offsite costs will not exceed \$2,500,000 (\$19,230± per lot).
3. Based upon discussions with the client, the soil conditions on-site are similar to the Grand Marina site on Grand Street. This appraisal assumes that the geotechnical and soil stability requirements on the subject property are similar to that of the Grand Marina project.

GENERAL ASSUMPTIONS AND/OR LIMITING CONDITIONS

This appraisal report and the value estimates it contains are expressly subject to the following assumptions and/or limiting conditions.

1. We assume that property lines as depicted in material provided to the appraisers by the client (directly or indirectly), or as they appear on the ground, are correct. We have not commissioned any surveys of the property.
2. We assume that data, maps, and descriptive data furnished by the client or his representatives are accurate and correct.
3. We do not assume any responsibility for matters of law or legal interpretation. The appraisers are not lawyers and cannot give legal advice.
4. We assume that any conditions that might exist that would affect the use and value of the property are discoverable through normal, diligent investigation.

5. The valuation is based on information from sources believed reliable, and we assume that such information is correct and accurately reported.
6. The value estimate(s) are subject to the purpose, date, and definition of value stated in the report.
7. The report is to be considered in its entirety and use of only a portion will invalidate the appraisal.
8. The appraisal is made based on the premise that there are no encumbrances prohibiting utilization of the property under the appraiser's estimate of highest and best use.
9. Possession of this report does not carry with it the right of publication. No part of it may be reproduced by any means nor disseminated to the public in any way without the prior written consent of the appraiser. Nor may it be used for any purpose or function other than those stated in the report, or by anyone other than the client without the prior written consent of the appraiser and the appraisal firm. Such consent will only be granted subject to proper qualifications and arrangements, possibly including the payment of an additional fee to the appraisal firm.
10. The report is subject to review by duly authorized representatives of the Appraisal Institute for the purpose of upholding ethics and standards. This means that the appraisers must supply a copy of the report to the Appraisal Institute, if requested.
11. It is not the intention of the appraisers or the appraisal firm to assume any liability with regard to this appraisal from any user other than the client. Any person or entity that obtains or reads this report, other than the client, expressly assumes all risk of damages to himself or third persons arising out of reliance on this report, and waives the right to bring any action based on the appraisal. Neither the appraisers nor the firm of Bender Rosenthal, Inc., shall have any liability to any such person or entity.
12. Neither the appraisers nor the appraisal firm shall be in any way responsible for any costs incurred to discover or correct any physical, financial, and/or legal deficiencies of any type present in the subject property.
13. The appraisers shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described in this report unless prior arrangements are made.
14. No responsibility is assumed for building permits, zone changes, engineering, or any other services or duty connected with legally utilizing the subject property.
15. Unless otherwise stated in this report, hazardous material was not observed by the appraiser at the property. The appraisers, however, are not qualified to detect such substances. The appraisers have no knowledge of the existence of such materials on or in the property, except as discussed in the report. The presence of such substances as asbestos, urea formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is

predicated on the assumption that there is no such material on or in the property that would cause a loss in value. The client should secure proper professional investigation of such matters.

16. With referenced to improved properties: The property appraised may or may not be subject to the Americans with Disabilities Act of 1990 (ADA). Title III of this act provides for penalties for discrimination in failing ". . . to remove architectural barriers . . . in existing facilities [unless] an entity can demonstrate that the removal . . . is not readily achievable. . ." Unless otherwise noted in this appraisal, it is assumed that the property appraised is not substantially impacted by this law. However, the appraisers have not undertaken any detailed compliance review, nor are the appraiser's experts in ADA matters.
17. We assume that the property would be competently managed.

II. ALAMEDA COUNTY / EAST BAY REGIONAL OVERVIEW

The property appraised is located in western Alameda County. Alameda County is one of nine counties in the San Francisco Bay area. It is commonly referred to as the East Bay area. Neighboring counties and landmarks include the San Francisco Bay to the west, Santa Clara County to the south, Contra Cost County to the north, and San Joaquin County to the east. Alameda County has excellent linkages to transportation networks, which makes it an attractive place for businesses and residents. An economic overview of the East Bay region as of 2Q 2011, as prepared by Beacon Economics, is presented below.

More positive signs have begun to emerge in the East Bay economy. Nonfarm employment posted a modest gain in the second quarter of 2011, the first increase in a year. However, there is still a long way to go. The unemployment rate remains a problem in the East Bay as a growing number of unemployed residents reenter the labor force thus driving up the unemployment rate in the short run. San Francisco and the South Bay's labor markets have performed well and have in fact led the California recovery and the East Bay's job market has looked sluggish in comparison. Beacon Economics is forecasting a gradual improvement moving forward. Nonfarm employment is expected to pass one million jobs in late 2013. The unemployment rate is not projected to fall below 10% until early 2012.

The consumer spending pullback resulting from the Great Recession has subsided. Consumers are on a much firmer financial footing now, and have started to spend again. Taxable sales in the East Bay have had positive growth for seven consecutive quarters though consumers are probably still consuming too much as a share of current income. But, as the labor markets heal and incomes continue to rise, Beacon Economics is forecasting that taxable sales will keep rising in the East Bay, reaching 2007 peak levels by mid-2012.

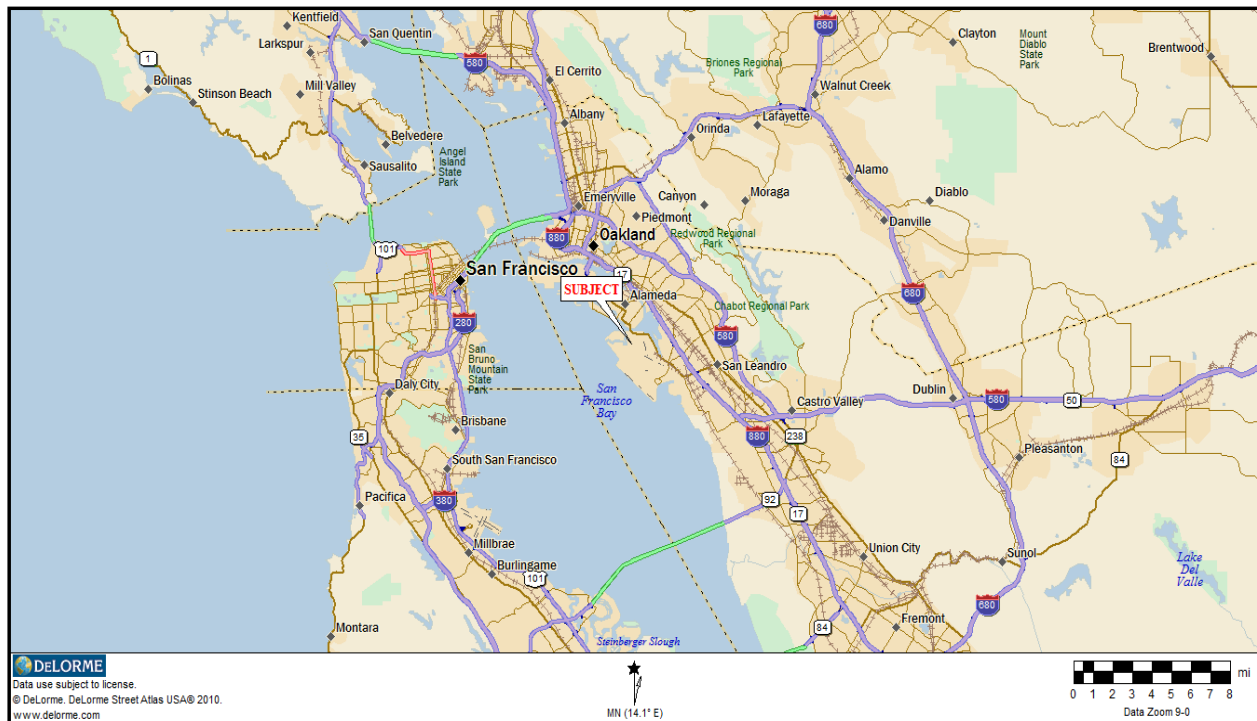
The Port of Oakland has certainly been the biggest bright spot during this downturn. Continued real depreciation of the U.S. Dollar has kept American exports in high demand. Agricultural products have led the way, though steel and iron, and electrical machinery also saw strong growth.

While East Bay median home prices did fall in the first quarter of the year, this is not an indication of a double-dip. Prices were artificially inflated in 2010 as a result of government intervention intended to boost demand. These programs were successful in increasing both home sales and prices, but following the expiration of these incentives, sales and prices slumped. The East Bay housing market is in better shape now than it was a year ago as notices of default have stabilized over the past two years. Beacon Economics is forecasting slow improvements in home prices and sales.

The retail market has led the commercial real estate recovery, not a surprise given the strong growth in consumer spending. The industrial and office markets have not fared quite as well. The office market in the East Bay has been much weaker than in San Francisco and the South Bay, owing to the slower employment recovery.

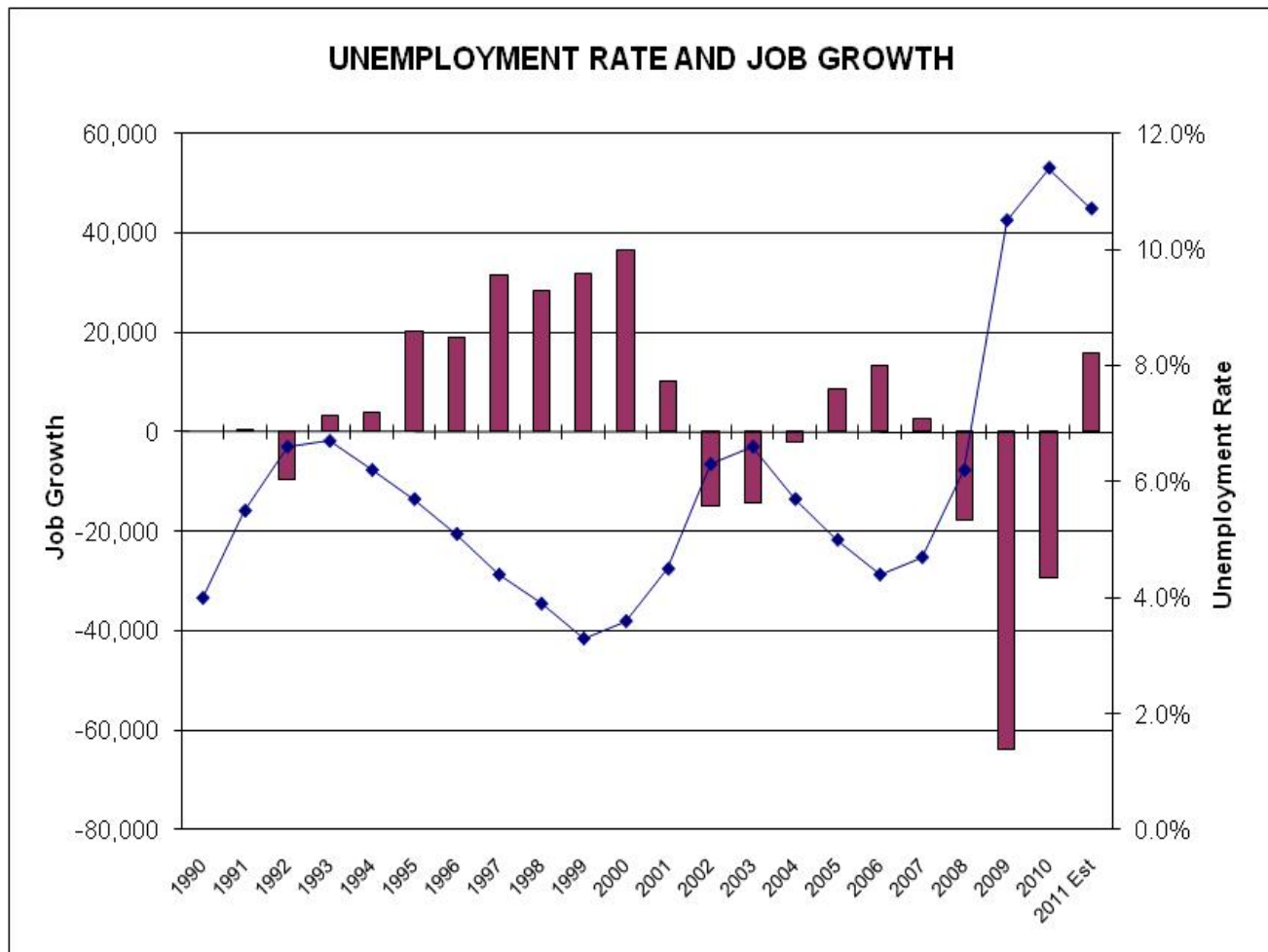
*12.25 Acres of Land
SEQ Clubhouse Memorial Road and Island Drive
Alameda, California*

REGIONAL MAP



Population. With a population of over 1.52 million residents as of the beginning of the 2011 year, Alameda County ranks as the eighth most populated county in California, with approximately 5% of the County's residents living in the city of Alameda. The County's population grew by nearly 0.8% versus 2010. The rate of growth in Alameda County ranks among the top twenty county growth rates in the state. Given the island location of Alameda, its year over year growth rate of 0.3% is among the lowest of the fourteen incorporated cities in the County. Emeryville, Dublin, and Berkeley at 3.1%, 2.3%, and 1.3% respectively show the three greatest annual population growth rates. State population projections estimate Alameda County population will swell to 1,663,481 in 2020, a total growth of 9.4% in the next 9 years or just over one percent per annum.

Unemployment Rates. Based upon information obtained from The Gregory Group, unemployment rates in the Oakland/Fremont MSA peaked in 2010, and job growth returned in 2011. Of the approximately 950,000 jobs in the MSA, the sector breakdown is as follows: Services (70%), Government (17%), Manufacturing (8%), and Construction (5%). More specific information obtained from the State regarding Alameda County pegged the unemployment rate at 10.2% as of September 2011; the City of Alameda was at 7%.



Household Income. As of the 2009 year, Alameda County's median household income was \$68,258, nearly 16% greater than that of the state. Neighboring counties such as Santa Clara and Contra Costa had median household incomes of 84,900 and 75,084 respectively.

Housing Market Overview (East Bay / Alameda)

The state census 2010 indicates that owner occupied housing comprises 53% of all housing units in Alameda County. According to the Gregory Group, average new home prices for single family detached product in Alameda County as of the 3Q 2011 were \$737,260 for an average size home of 2,650 square feet.

The following discussion was obtained from Beacon Economics. When the Case-Shiller home price index for the first quarter of 2011 was released, the media jumped on the turbulence as a sure sign that a double-dip in housing was imminent. Though home prices did falter in the first quarter of this year, it doesn't necessarily follow that a second housing storm is bearing down on the East Bay. Home prices fell in the first half of 2011 because they were artificially inflated in 2010 due to massive government interventions to boost demand. A combination of federal tax

credits, low interest rates, and the continued willingness of the Federal Housing Administration (FHA) to make low down payment loans to first-time homebuyers created a surge in home sales that temporarily drove prices up in the East Bay and elsewhere. As these programs expired, sales slumped and prices fell back to where they were in mid-2009. This is more a reflection of eliminating incentives than it is a sign that housing fundamentals are deteriorating in the region.

In fact, despite all of the turmoil in home prices recently, the East Bay's housing market is actually healthier than it was one year ago. Foreclosures are up in the most recent data, but they remain well below their peak in 2008. And, more importantly, notices of default in the East Bay, the primary leading indicator of new foreclosures, have been falling steadily for the past two years. Given that interest rates remain very low relative to historical standards and that home prices have fallen back to a level in line with incomes, Beacon Economics is forecasting that East Bay home prices have reached bottom and will begin to rise slowly. Sales are expected to remain tepid in 2011, but will begin to pick up steam as the recovery progresses in 2012 and beyond.

Taking a sub-regional view of the East Bay, it is clear that some areas are faring better than others, but the progress has been fairly slow across the board. In Alameda County, roughly half of the cities saw existing home prices increase in the second quarter of 2011, with the largest increases in Livermore, Albany, and Berkeley where the median price on an existing home rose by over 7% above the first quarter. However, only the City of Alameda had home prices in the second quarter that were higher than they were one year ago. This demonstrates that although prices have stabilized in recent months, the progress will be slow. Many other cities in Alameda County have continued to experience weak home prices. In the second quarter of this year, price declines ranged from as little as -3.4% in Newark to nearly -16% in Dublin. Aside from Piedmont, for which data are not available, Pleasanton remains the most expensive city in Alameda County in the most recent data with a median price for an existing single-family home selling for roughly \$690,000. This is followed by the cities of Alameda, Berkeley, Albany, Dublin, and Fremont.

The story in Contra Costa County is very similar to that of Alameda County, with roughly half the cities posting quarterly increases in home prices while others experience further declines. With the exception of Pittsburg, the largest increases in home prices last quarter were in the more affluent parts of Contra Costa County, including Lafayette, Moraga, Alamo, and Walnut Creek. Many of the less affluent areas in Contra Costa saw home prices fall including Antioch, Richmond, Concord, Clayton, and Pleasant Hill. However, some cities bucked this general trend. Orinda and Danville saw home prices fall in the second quarter. Home prices in Pittsburg, which is less affluent, rose by nearly 15% in the second quarter.

The net result of this mix of trends in various cities is that prices have flattened out in the East Bay. And, while prices have been fairly volatile around this trough, Beacon Economics does not expect to see prices fall much more. With home prices back down to levels that are in line with incomes, and with low interest rates, expect buyers to come back into the market and thus provide a floor to how far prices can fall. Indeed, we are seeing sales activity pick up as prices have wavered this year. Although the growth is not spectacular, existing home sales are rising off

the bottom. In Contra Costa County, more than half of the incorporated cities have posted year-to-date gains in home sales through the second quarter. This is despite the fact that the first half of last year benefited from the federal homebuyer tax credits, which expired at the end of 2010. Home sales in Alameda County, though not trending upward as consistently, have risen off the bottom in many cities as well.

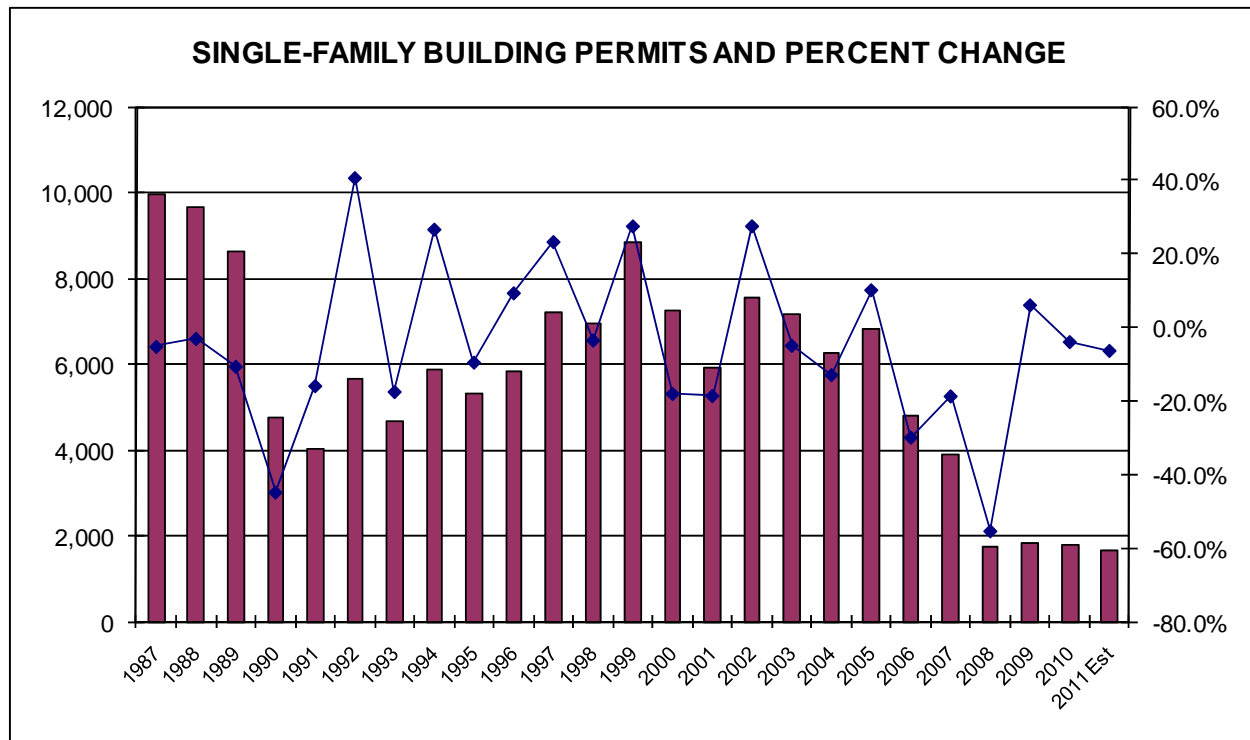
Unfortunately, the increased affordability and rising home sales have not spurred much activity on the new homes side of the equation. Through the first half of 2011, there have been more than 350 fewer new home sales in the East Bay than in the first half of 2010. In Alameda County, Alameda, Pleasanton, Berkeley, Union City, San Lorenzo, and Newark saw slight increases in new home sales relative to 2010. However, the County's remaining incorporated cities saw new home sales drop in 2011. Similarly, in Contra Costa County, only Brentwood saw a noticeable increase in new home sales while the County's other cities ranged from insignificant increases to substantial decreases so far this year.

The primary reason for the lack of activity in new home sales is due to the distressed properties that remain in the pipeline in the East Bay. While foreclosures overall have fallen by 240 relative to last year, they remain stubbornly high compared with historical norms. In addition, banks have begun to process through foreclosures that had previously been put on hold as they tried to modify loans for distressed properties. As a result, 21 cities have seen foreclosures actually rise in 2011. These foreclosures need to be worked through the system before builders will feel comfortable launching new developments.

As noted earlier, defaults, which are the predominant indicator of new foreclosures, are falling consistently. With the exception of Lafayette and El Cerrito, notices of default are down in all of the East Bay's incorporated cities. Mid-way through 2011, and the East Bay has seen defaults drop by more than 2,300 over this same time in 2010. Thus, as the East Bay cycles through the existing inventory of distressed properties, and the number of properties entering into foreclosure drops, the increase in population and the growth in household formation spurred by a healing economy will provide ample demand for new housing in the coming years. Through the rest of 2011 and through 2012, expect to see slow, but steady improvement in residential real estate, with things picking up steam in 2013 and beyond.

Single family building permits in the Oakland MSA are shown in chart below obtained from the Gregory Group. Permit levels have been steady for the past four years, but are off significantly (60-70%) from the levels observed in the early to mid 2000s.

*12.25 Acres of Land
SEQ Clubhouse Memorial Road and Island Drive
Alameda, California*



The new home market in Alameda County has been fairly active in the last couple of years. The market bottomed in 2009 and has been improving steadily in 2010 and 2011. New home price trends and share of market for the Oakland/Fremont MSA for the last few years is presented in the table below.

Price Range	1st Qtr 2011	2nd Qtr 2011	3rd Qtr 2011	4th Qtr 2011	2011 YTD Sales	2011 YTD % Share	2010 Sales	2010 % Share	2009 Sales	2009 % Share	2008 Sales	2008 % Share
Less than \$300,000	3	6	44		53	5.2%	89	6.8%	114	4.4%	66	1.9%
\$300,000 - \$349,999	112	69	129		310	30.5%	121	9.2%	234	9.1%	128	3.8%
\$350,000 - \$399,999	37	11	50		98	9.6%	223	17.0%	394	15.3%	305	9.0%
\$400,000 - \$449,999	17	10	13		40	3.9%	170	12.9%	409	15.9%	539	15.9%
\$450,000 - \$499,999	16	16	29		61	6.0%	178	13.5%	241	9.4%	423	12.5%
\$500,000 - \$549,999	25	51	20		96	9.4%	114	8.7%	105	4.1%	370	10.9%
\$550,000 - \$599,999	12	7	15		34	3.3%	63	4.8%	162	6.3%	234	6.9%
\$600,000 - \$649,999	11	7	8		26	2.6%	38	2.9%	106	4.1%	150	4.4%
\$650,000 - \$699,999	5	32	61		98	9.6%	31	2.4%	91	3.5%	151	4.5%
\$700,000 - \$749,999	6	6	20		32	3.1%	101	7.7%	47	1.8%	135	4.0%
\$750,000 - \$799,999	9	13	33		55	5.4%	17	1.3%	92	3.6%	154	4.5%
\$800,000 - \$899,999	13	38	12		63	6.2%	75	5.7%	266	10.4%	113	3.3%
\$900,000 - \$999,999	-2	7	2		7	0.7%	29	2.2%	133	5.2%	297	8.8%
\$1,000,000 and greater	22	13	8		43	4.2%	65	4.9%	174	6.8%	326	9.6%

In Alameda County, according to The Gregory Group, there are 38 projects actively selling new residential product as of 3Q 2011. The data indicates an even split between detached and attached product. Discussions with sales agents and brokers indicated that municipalities are pushing for densities that are typically achieved with attached product; however, buyers typically prefer detached product. As shown in the graphic below, average base pricing for the detached

12.25 Acres of Land
SEQ Clubhouse Memorial Road and Island Drive
Alameda, California

product was in the \$740,000s, with average homes of 2,650± square feet on average lot sizes of 5,000± square feet. Sales data indicated 102 homes sold in the 19 detached projects in the three months of 3Q 2011, which equates to approximately 2 homes per month per project.

Averages and Totals Report					
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PRODUCT AVERAGES					
Home Size :	2,656	Base Price :	\$745,127	Price/Sq Ft :	\$282.57
Incentives :	\$7,302	Net Price :	\$737,825	NPrice/Sq Ft :	\$279.49
Median Price :	\$727,060	Lot Size :	5,056	Standing Inventory :	54
PRODUCT RANGES					
Home Size :	1,407 - 4,957	Base Price :	\$308,736 - \$1,000,000	Price/Sq Ft :	\$167.41 - \$433.30
Incentives :	\$0 - \$26,040	Net Price :	\$297,533 - \$1,988,000	NPrice/Sq Ft :	\$191.49 - \$433.38
Lot Size :	1,500 - 15,000	Max Incentives :	\$0 - \$40,000		
SALES AVERAGES					
Total WSR :	0.04	Quarterly WSR :	0.41		
SALES RANGES					
Total WSR :	0.00 - 1.55	Quarterly WSR :	-0.08 - 1.31		
SALES & INVENTORY TOTALS					
Quarterly Sold :	102	Weeks of Inventory :	8		
Units Planned :	1,526	Units Offered :	1,061	Units Sold :	988
Total Inventory :	541	Unoffered Inventory :	430	Unsold Inventory :	103
Averages, Ranges and Totals for: 19 Projects					
Corona @ Positano	Livorno @ Positano	Sonoma @ Dublin Ranch	Bella Monte	Persimmon Park	
Camberly Place at Stonebrae	Silverado @ Schaefer Ranch	Villages at Arcadia Park	Ivy at Montage	Bridgeport at Eden Shores	
Grand Marina Village	Carriak Village at Stonebrae	Milano Collection at Sorrento	Veranda Heights	Arroyo Crossing Classics	
Enclave at Arcadia Park	Mission Estates	Biella @ Positano	The Village @ Ironwood		

Of the eight projects with smaller lot detached product on lots 3,500 square feet and smaller, as the table below shows, the average base price was \$581,300± for a 2,050± square foot home on a 2,400± square foot lot. Sales data indicated 44 homes sold in the 8 small-lot, detached projects in the three months of 3Q 2011, which equates to approximately 2 homes per month per project.

Averages and Totals Report					
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PRODUCT AVERAGES					
Home Size :	2,051	Base Price :	\$581,298	Price/Sq Ft :	\$282.47
Incentives :	\$7,187	Net Price :	\$574,111	NPrice/Sq Ft :	\$278.55
Median Price :	\$583,000	Lot Size :	2,408	Standing Inventory :	23
PRODUCT RANGES					
Home Size :	1,407 - 3,031	Base Price :	\$300,735 - \$842,995	Price/Sq Ft :	\$197.41 - \$417.91
Incentives :	\$0 - \$11,730	Net Price :	\$297,533 - \$842,995	NPrice/Sq Ft :	\$191.49 - \$418.13
Lot Size :	1,500 - 3,000	Max Incentives :	\$0 - \$0		
SALES AVERAGES					
Total WSR :	0.62	Quarterly WSR :	0.42		
SALES RANGES					
Total WSR :	0.25 - 1.55	Quarterly WSR :	-0.08 - 1.31		
SALES & INVENTORY TOTALS					
Quarterly Sold :	44	Weeks of Inventory :	9		
Units Planned :	748	Units Offered :	608	Units Sold :	564
Total Inventory :	102	Unoffered Inventory :	130	Unsold Inventory :	44
Averages, Ranges and Totals for: 8 Projects					
Sonata @ Dublin Ranch	Persimmon Park	Villages at Arcadia Park	Ivy at Montage	Bridgeport at Eden Shores	
Grand Marina Village	Milano Collection at Sorrento	Enclave at Arcadia Park			

There is just one project actively selling in the City of Alameda, Grand Marina Village. This project is marketing small lot, detached product on 2,500 square foot lots; this product is considered reasonably similar to that which would be offered on the subject property. The location of this project, fronting the Oakland estuary, resulted in lot premiums in excess of \$100,000 for some of the best lots. This project began selling in May 2010 and to date, thirteen homes have closed; an additional twenty are in escrow pending close. Base prices were quoted as \$689,000 and \$720,000 for the 2,152 and 2,373 square foot models, respectively. In the seventeen months since sales began, approximately 33 units have been sold, which equates to an average absorption of nearly two units per month. The sales agent at the project reported that

there are simply not a lot of buyers in Alameda in the \$700,000+ range. Despite increasing incentives to the \$25,000 level, the lack of depth in this price range, along with the fact that the most attractive lots have been sold, has resulted in a slowing of absorption rate in recent months. Early absorption rates were reportedly three units per month, slowing to just one unit per month more recently. The average closing price within this project was reportedly in the low to mid \$700,000s.

Neighborhood Description

The property appraised is located within the Chuck Corica Golf Complex on Bay Farm Island in the City of Alameda. Bay Farm Island is south and east of the main island of Alameda. These two islands are connected by the Bay Farm Island bridge accessed along Island Drive. Island Drive is a busy arterial that serves Bay Farm Island. Doolittle Drive is also accessed at the southern end of the bridge and is a significant transportation route on the island. Linkages to and from the island are considered good with Interstate 880 and other interstates available nearby. Bay Farm Island is home to the Harbor Bay Business Park, residential development, and retail services.

The Harbor Bay Business Park is home to more than 100 companies, agencies and organizations. These entities are engaged in areas such as technology research, development, support, software and hardware, professional sports, business services, engineering, telecommunications and biotechnology. The Business Park also includes several hotels, restaurants, private schools, a golf club, and an athletic club.

Residential development is an important part of Bay Farm Island. According to information provided by the client, there are nearly 15,000 residents and between four and five thousand dwelling units constructed mostly in the last forty to fifty years. The close proximity of the airport is an adverse value influence but according to residential brokers in the area, buyers continue to be attracted to the perceived island safety of Bay Farm and its solid school district. Several homeowners associations comprise Harbor Bay Isle. Most of the single family home sale activity has occurred between \$500,000-\$700,000. Though transactions were observed above \$700,000, local brokers and agents reported that the market is not particularly deep at this price level.

Retail development on the island is mostly located within the Harbor Bay Landing development. Set alongside Bay Farm Island's main thoroughfare and a small man-made lagoon, Harbor Bay Landing Shopping Center is the cultural hub of the isle. With large chains like Safeway and CVS, as well as hometown favorites like La Pinata and LaVals, the Landing (as it is known by locals) has a variety of options, including grocery shopping, a gym, a cafe, a drugstore, a gas station, restaurants and company offices. In addition, the shopping center is adjacent to the popular Leydecker Park and the Bay Farm Island branch of the Alameda Free Library. Just a short distance away from the Chuck Corica Golf Center, the Bay Farm Island Bridge, Oakland International Airport, the Harbor Bay Club and Amelia Earheart Elementary School, the Landing is centrally located.

12.25 Acres of Land
SEQ Clubhouse Memorial Road and Island Drive
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Given its good linkages to other parts of the Bay area, the perceived safety offered by its island seclusion, and community amenities, Bay Farm Island is an attractive place to live in the City of Alameda / East Bay.

NEIGHBORHOOD MAP



III. PROPERTY DESCRIPTION

GENERAL

Based on the hypothetical condition applicable to this assignment, the property appraised is residential land with an approved tentative map for 130 detached, single family residential lots. The property description below discusses the property based on this hypothetical condition.

SITE DESCRIPTION

Size:	12.25 acres
General Plan:	Medium Density Residential - Two family or one family units. Medium-density residential development will provide at least 2,000 square feet of site area per unit. Existing densities range up to 70 units per net acre. Density range for new units is 8.8 to 21.8 units per net acre. Projects of five or more units with units affordable to lower-income households may earn a state-mandated density bonus permitting up to 29 units per acre. Congregate housing and single room occupancy facilities would be permitted and their density would be regulated by the bulk standards (setbacks, height, lot coverage) in each zoning classification.
Zoning:	<p>R-2/PD, Two-Family Residential / Planned Development. R-2 districts are established to provide for the protection of established neighborhoods in which duplex dwellings are located, and generally to provide a transitional area between single- and multiple-residence districts or between single-residence districts and areas of light commercial use, for additional development of this kind.</p> <p>Permitted uses in the R-2 district are one and two-family dwellings, public facilities, agriculture/horticulture, day care, and residential care facilities. Other uses are permitted with a use permit. The minimum lot size is 5,000 square feet, with a minimum width of 50 feet. The building height maximum is thirty. The PD overlay allows more flexibility and discretion on the part of the City and would allow lot sizes of 2,000 square feet.</p>

Entitlement assumptions: Approved Tentative Map for 130 detached single family residential lots

***Note:** The proposed General Plan, Zoning, and entitlements are assumed to be in place as hypothetical conditions pertaining to this assignment. The analysis and conclusions that follow are subject to the hypothetical conditions and extraordinary assumptions stated in this report.*

Current Use: The subject land is part of the Chuck Corica Golf Complex. The property appraised is referred to as the Mif Albright Golf Course, an operating 9-hole course.

Adjacent Uses: North / East – Golf Complex uses such as two 18-hole golf course, proshops, clubhouse, restaurant, driving range, practice area.
West – Senior housing and single family residential.
South – Single family residential.

Proposed Use: Single family residential development, 130 lots. Please reference the hypothetical conditions and extraordinary assumptions.

Shape:	The site is irregular in shape. The southeastern portion of the site narrows but remains suitable for residential development.
Frontage/Access:	Frontage exists along Island Drive, Maitland Drive, and Clubhouse Memorial Road. Island Drive is a four-lane arterial and the other two frontage roads are two-lane width.
Exposure:	The property has good exposure from its frontage streets.
Utilities:	All municipal utilities are currently serving the Chuck Corica Golf Complex and therefore would be available to be stubbed to the subject as required.
Flood Information:	Flood Zone X, areas outside the 500-year floodplain, according to FEMA Map 06001-C0251G, effective 8/3/09.
Seismic Information:	The property is located in the San Francisco Bay area, an area known to be seismically active. The site is located in a seismic liquefaction zone, along with all of Bay Farm Island.
Toxic Hazards Information:	We were not provided with a Phase I assessment for the subject property. The subject's historical use as a golf course suggests further investigation is warranted. No evidence of contamination was noted upon inspection of the property. However, the appraiser is not an expert in this field and is not qualified to detect or advise on these matters. This appraisal assumes that there is no toxic contamination on the subject property that adversely impacts value. Please refer to the General Limiting Conditions regarding hazardous materials.
Topography / Soil Conditions:	The topography of the site is level. No Phase I assessment was provided for the subject property. Discussions with the client indicated that the site is comprised of soft, sandy soils with clay and mud present. Information provided by the client indicated that portions of the Chuck Corica complex were once used as farmland. This historic use, as well as dredging and use of some areas as a landfill,

indicate further site investigation regarding soil conditions, the potential for toxic hazards, drainage issues, and how these issues impact off-site and on-site development costs, is warranted. The client indicated that it was likely that geotechnical work would be required prior to residential construction. This typically increases development costs and is discussed later in this report.

Wetlands:

No studies provided. A small waterway appears to be present toward the eastern boundary of the site near the maintenance shed. The appraiser assumes no wetlands exist that adversely impact value.

PROPOSED RESIDENTIAL DEVELOPMENT CHARACTERISTICS

Development Summary:

As proposed and subject to hypothetical condition, the property appraised will be developed as a single family residential subdivision with an approved tentative map for 130 lots.

Proposed Lot Size:

According to the map provided, lot sizes are typically 2,500± square feet. Lot widths appear to be 30-35 feet with depths of 70-75 feet.

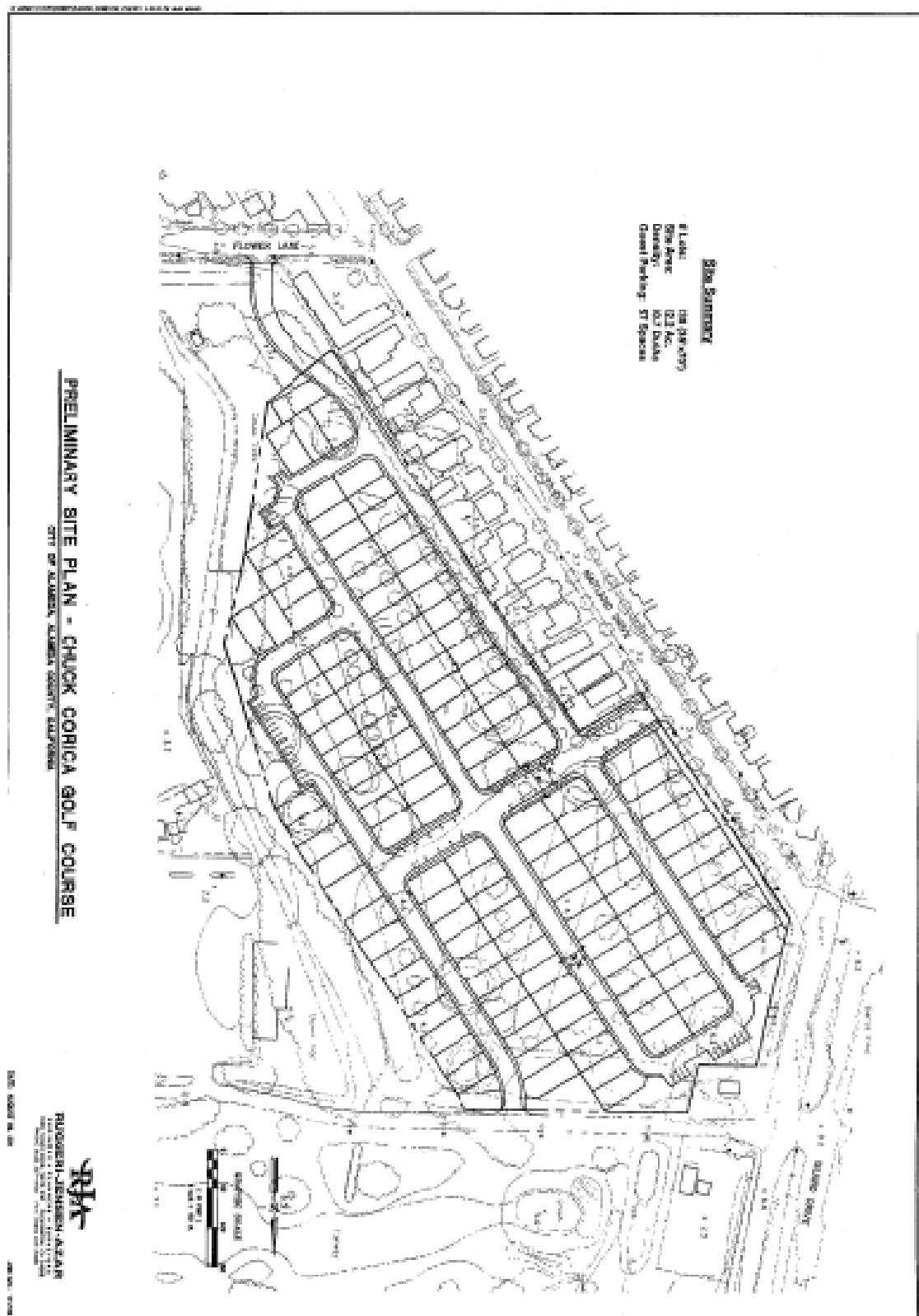
Street Design:

These are assumptions based on experience with other residential projects. The streets will include concrete curbs, gutters, concrete sidewalks and storm drains. Interior subdivision streets will be dedicated to the public. Multiple interior roadways are proposed. All streets appear to be two-way in design.

Subdivision Design:

The subdivision map has an average overall design which offers adequate access to each of the lots.

PRELIMINARY SITE PLAN



Lot Utility: The lots will have good utility for their proposed use as residential home sites. The width and depth of the lots will allow for single and multi-story development.

Site Development Costs: Estimated costs to finish the lots were requested but not provided. There were no site specific soils studies available. According to the client, the soils on the subject property are similar to that of the Grand Marina site on Alameda's main island. The client indicated the costs to finish the lots for the subject would be similar to that of the Grand Marina project.

Discussions with parties knowledgeable about the 40-lot Grand Marina site indicated the costs to finish those lots were \$6,000,000 or \$150,000 per lot. This site was previously used for industrial uses. There were reportedly some geotechnical complexities that led to soil stability surcharges and toxic issues as well. It is assumed that the subject will not have toxic soil issues but geotechnical complexities will likely be present given soft soil conditions. For the sake of this analysis, the estimated costs to finish the lots are assumed to be \$125,000 per lot. This includes offsite and on-site development costs.

OTHER PROPERTY MATTERS

Easements: A preliminary title report was not provided for this analysis. This appraisal assumes no easements exist that adversely impact value.

Cultural, Recreational, Historical Significance: None known or suspected to be present.

External Influences: None significant.

Property Tax Data: The property is city owned so no taxes are applicable. The tax rate area is 21-000, Alameda County. The tax rate for 2011-2012 is 1.1391%.

Overall Comments:

The property appraised is 12.25 acres of residential land that has an approved tentative map for the development of 130 single family residential lots (hypothetical condition).

IV. HIGHEST AND BEST USE ANALYSIS

***Note:** The proposed General Plan, Zoning, and entitlements are assumed to be in place as hypothetical conditions pertaining to this assignment. The analysis and conclusions that follow are subject to the hypothetical conditions and extraordinary assumptions stated in this report.*

Highest and best use may be defined as the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value⁵.

There are four criteria used in the highest and best use analysis process. These are:

1. **Legally Permissible Use.** What uses are permitted legally under existing zoning, building codes, historic district controls, environmental regulations, deed (private) restrictions, and long-term lease provisions on the site in question?
2. **Physically Possible Use.** What uses of the site are physically possible, given its size, shape, area, terrain, soils composition, accessibility, assembly potential, and risk potential from natural disasters?
3. **Financially Feasible Use.** Which possible and permissible uses will produce a positive net return to the owner of the property?
4. **Maximally Productive Use.** Among the feasible uses, which use will produce the highest residual land value consistent with the rate of return warranted by the market for that use?

HIGHEST AND BEST USE OF THE SITE (AS VACANT)

Legally Permissible Uses. Possible uses are constrained by legal restrictions on a property both private and public. The property is generally planned and zoned for residential uses. The proposed development density, as tentatively mapped, is nearly 11 units per acre. The lot size minimum by zoning is 5,000 square feet. As proposed, lot sizes are typically 2,500 square feet. The PD overlay allows lot sizes of 2,000 square feet minimum. As such, development of a residential use is legally permitted. This is assumed as part of the hypothetical condition.

Physically Possible Uses. The size, topography, and location of the subject are important factors in determining the use of the property. The size of the site can significantly affect the type of development that is possible, as the “economies of scale” notion often comes into play.

The site area appraised is considered sufficient to support the legally permitted uses. The subject property is irregular in shape and has a level topography. Nearby property uses are a combination of single family residential and open space / commercial in nature. A single family residential development would be in conformance with the surrounding projects. Based upon surrounding developments, the soil appears to adequately support residential development, though soft soil

⁵ THE APPRAISAL OF REAL ESTATE (Twelfth Edition), Appraisal Institute, Chicago, Illinois, 2001, p. 275

conditions are typically present in the Alameda area. The necessary utilities are in the area and would be available to serve the site as necessary. Therefore, the legally permissible uses are physically possible.

Financially Feasible Uses. A proposed property improvement must be able to deliver an income return that, in turn, generates a market value sufficient to pay for the developmental costs, the undertaking of the risks involved, and a profit appropriate for the development.

As discussed in the Residential Market overview section of this report, demand for new, single family detached projects in Alameda County in the 3Q 2011 was approximately 2 homes per month per project. Discussions with brokers in the market area and representatives of actively selling subdivisions indicated Alameda remains an attractive place for housing product. Given that the only new subdivision to come online in years is nearly sold out, it is logical that additional product would be welcomed in the marketplace. Based upon an analysis of supply and demand, development of single family, small-lot detached residential product appears to be financially feasible.

Maximally Productive Use - Conclusion. Considering the previous discussion and analysis, the maximally productive use of the subject property, as vacant, is for single family residential development consistent with the entitlements in place (hypothetical condition).

V. VALUATION ANALYSIS

VALUATION APPROACH

The initial stages of the appraisal process include the investigation, organization, and analysis of relevant market data and other information that relate to the market value of the subject property. Factors discussed previously that influence value include the Alameda / East Bay region demographics and economic conditions, neighborhood characteristics and features, the market for residential land, and subject property attributes. All of these need to be considered when rendering the highest and best use conclusion. After a highest and best use conclusion has been made, the possibilities for the property have been sufficiently narrowed so that a proper valuation process can be pursued. This section of the report contains the comparable data, the interpretation, analysis, and processing of this data and the value conclusion.

An appraisal of an improved property typically uses up to three valuation approaches:

- The Sales Comparison Approach to value.
- The Income Capitalization Approach to value.
- The Cost Approach to value.

Sales Comparison Approach

A value indication is derived by comparing the property being appraised to similar properties that have sold; making qualitative or quantitative adjustments; then applying appropriate units of comparisons to indicate a value for the larger parcel or remainder. The Sales Comparison Approach is most often used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of valuation when an adequate supply of comparable sales is available.

Income Approach

A value indication is derived for income-producing property by converting its anticipated benefits (cash flows and reversion) into a value for real property interests. Typically, the annual net income is capitalized at a market-derived capitalization rate to derive an indication of value. The Income Approach is most often used for income producing properties or real estate acquired as an investment.

Cost Approach

A value indication is derived for a property by estimating the current cost to construct a replacement of the existing structure(s) with similar utility; deducting depreciation from all sources; and adding the estimated land value. In some cases, a reproduction cost estimate to produce an exact replica of the subject property is provided. The Cost Approach is most often used when valuing properties with new or relatively new improvements, special use properties, or very dated construction.

For this assignment, the Sales Comparison approach will use direct comparison of other bulk, single family residential lot purchases.

VALUATION PREMISE

SALES COMPARISON APPROACH – PAPER LOT ANALYSIS

The Sales Comparison Approach involves direct comparison of the appraised property with other properties that have sold or have been offered for sale in the open, competitive market. This approach is based upon the principle that a prudent investor would pay no more for real property than the cost of acquiring an equally desirable substitute property of similar utility. While buyers of income-producing properties typically focus on a property's economic characteristics, sales of similar properties analyzed from a physical viewpoint (i.e., based on price per acre or per lot) can indicate value patterns and trends in the market.

The Sales Comparison Approach requires several steps. They include:

- Researching the market for information on sales transactions, listings, and offers to purchase or sell involving properties that are similar to the subject property;
- Verifying the information by confirming that the data are factually accurate and that the transactions reflect arm's-length, market considerations;
- Selecting the relevant units of comparison and develop a comparative analysis for each transaction;
- Comparing sale properties with the subject property using the elements of comparison and infer a value indication for the subject; and
- Reconciling the various value indications produced from the analysis of comparables into a single value indication or a range of values.

Analysis of the market revealed multiple sales occurring in the Region during the course of the 2009-2011 years. Of the sales observed, the most relevant comparables were selected for analysis. It is noted that only one paper lot transaction was observed in the City of Alameda. The other transactions included in the data set are from other areas in Alameda County and involved either paper or finished lots. Data on these land sales have been obtained for this analysis and are summarized in the table on the following page. The relevant unit of comparison is the price per lot, which is consistent with the market.

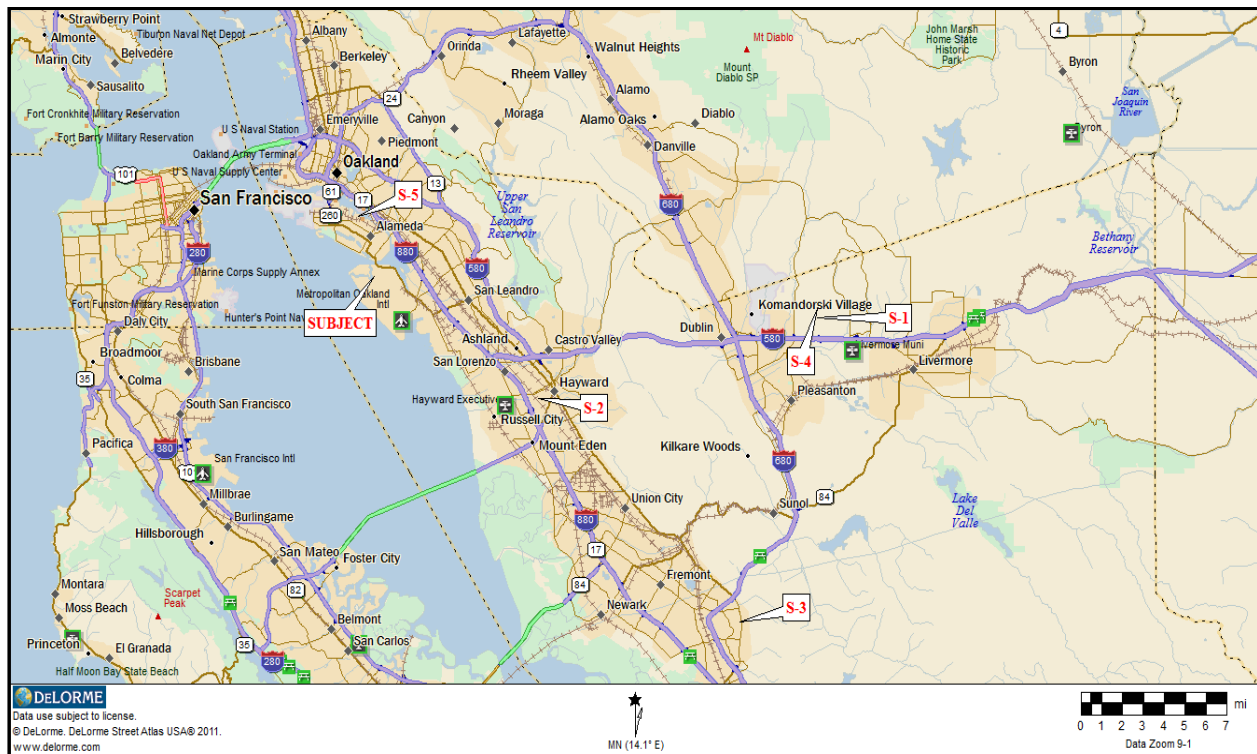
The comparable sales table is shown below and the map is shown on the following pages.

*12.25 Acres of Land
SEQ Clubhouse Memorial Road and Island Drive
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COMPARABLE BULK LOT LAND SALES SUMMARY

Sale #	Product Type Location APN	<u>Seller</u> Buyer	<u>Sale Date</u> Doc #	Sale Price	# Lots Density (Du/Ac)	Typical Lot Size (SF)	Price/ Lot
S-1	Paper Lots Fallon Road and Positano Parkway <u>Dublin, CA</u> APN: 985-0028-007-02	<u>Braddock & Logan</u> K. Hovnanian Homes	<u>06/10/11</u> 167879	\$19,228,000	$\frac{88}{4.6}$	5,000	\$218,500
S-2	Finished Lots Moss Way and MLK Drive <u>Hayward, CA</u> APN: 431-0112-, 0113-, 0114-various	First American <u>Title</u> <u>Company</u> KB Homes	<u>12/15/10</u> 383105	\$10,140,000	$\frac{42}{9}$	Town- homes	\$241,430
S-3	Paper Lots Lurene Drive <u>Fremont, CA</u> APN: 513-0613-various	<u>Summerhill Homes</u> KB Homes	<u>11/23/10</u> 354368	\$10,550,000	$\frac{54}{13}$	Town- homes	\$195,370
S-4	Paper Lots La Strada Drive and Amantea Way <u>Dublin, CA</u> APN: 985-0075-004	Dublin RE <u>Investors</u> K. Hovnanian Homes	<u>April 2010</u> N/Av	\$11,960,000	$\frac{69}{4.1}$	5,500	\$173,333
S-5	Paper Lots NWC Grand Street and Fortmann Way <u>Alameda, CA</u> APNs: 072-0381-005, 008, 011	<u>Encinal Marina</u> Warmington Homes	<u>Sept. 2009</u> N/Av	\$3,000,000	$\frac{40}{7.4}$	2,500	\$75,000
Subj	SEQ Clubhouse Memorial Road and Island Drive <u>Alameda, CA</u> APN: 074-1040-003-19	-----	-----	-----	$\frac{130}{10.6}$	2,500	-----

COMPARABLE LAND SALES MAP



The respective sales prices of the comparable sales are adjusted quantitatively, based upon market data, or qualitatively based on the appraiser's observations of market behavior, in order to derive an indication of market value.

The units of comparison include property rights transferred, financing, market conditions (time), conditions of sale/buyer expenditures, and physical characteristics (location, size, site utility, lot size, etc.). The comparable sales consist of fee simple transfers with no conditions of sale or financing terms indicated that had an impact on the prices paid except where noted in the following discussion. Additional elements of comparison are discussed in the following paragraphs. With the exception of Sale 5, the following transactions occurred during 2010 and 2011, when market conditions were considered reasonably similar to present. Therefore, no adjustments are merited for market conditions. Sale 5 took place during a time of weaker market conditions, so an upward adjustment is appropriate.

Sale 1 is the June 2011 sale of 88 paper lots in Dublin for \$218,500 per paper lot. Current absorption was reportedly 3-4 units per month. The project is located in the Positano master-planned community which is mostly single family product. This project involved single family detached product 5,000 square foot lot size typical. Base prices for single family homes in the area at a similar subdivision owned by the same builder are \$715,000, \$772,000, and \$800,000 for 2,430±, 2,870, and 3,200± square foot homes, respectively. Costs to finish the lots were reportedly \$55,000 per lot. This suggests that the finished lot basis as a percentage of average base home price is between 34-38%±.

The lots are larger and the area is newer product within a master planned community. This location is a proven area where absorption has been relatively stable over the last couple of years. The costs to finish the lots are less than that of the subject, offset somewhat by greater permits and fees costs. These factors suggest that the subject's lot value will be less than that of this indicator.

Sale 2 is the December 2010 sale of 42 Townhome finished lots in Hayward for \$241,000± per lot. The entitlements were in place and the architecture was approved prior to close of escrow. The buyer indicated that he would not pay this price today given their inability to absorb product at the price they had originally projected. Based on the appraiser's research, townhome sizes are 1,725±, 1,825±, and 2,000± square feet, with base pricing of \$329,000, \$329,000, and \$375,000 square feet, respectively. Homes began selling in the Summer of 2011. To date, no units have closed with thirty one units in contract. The finished lot basis as a percentage of average base home price is between 60-70%±, which is outside the range typically observed.

The townhome lots are generally less desirable than single-family detached. Given pricing in the area and other factors, this location is considered inferior to the subject. The entitlements were superior at the time of close given the approved architecture. Further, the lots were in a finished condition. The buyer suggested he overpaid for the lots as well given an adjacent project. These factors suggest that the subject's per lot value will be below this indicator.

Sale 3 is the November 2010 sale of 54 Townhome paper lots in Fremont for \$195,000± per lot. The deal was in escrow for approximately six months. The architecture was approved prior to close of escrow. There were four homes on the site that were destroyed prior to development. The buyer expanded their land holdings in the area given previous selling success from an adjacent project. Based on the appraiser's research, townhome sizes range are 1,430±, 1,540±, and 1,840± square feet, with base pricing of \$569,000, \$635,000, and \$719,000, respectively. Homes began selling in July 2011 with 8 in contract to close. Based upon the costs to finish the lots of \$70,000 per lot and the lot purchase price, the residual finished lot purchase price was approximately 35-45% of the average base home price.

The townhome lots are generally less desirable than single-family detached. Given pricing in the area and other factors, this location is considered superior to the subject. The entitlements were superior at the time of close given the approved architecture. The costs to finish the lots are less than that of the subject, offset somewhat by greater permits and fees costs. These factors suggest that the subject's per lot value will be below this indicator.

Sale 4 is the April 2010 sale of 69 paper lots in Dublin for \$173,333 per lot. The project was reportedly in a ready to record final map condition with some rough grading completed. The project is located in the Positano master-planned community which is mostly single family product. This project involved single family detached product 5,500 square foot lot size typical. Base prices for single family homes at this project are \$715,000, \$772,000, and \$800,000 for 2,430±, 2,870, and 3,200± square foot homes, respectively. Costs to finish the lots were reportedly \$56,000 per lot. This suggests that the finished lot basis as a percentage of average base home price is between 29-32%±.

The lots are rough graded, larger and the area is newer product within a master planned community. This location is a proven area where absorption has been relatively stable over the last couple of years. The costs to finish the lots are less than that of the subject, offset somewhat by greater permits and fees costs. These factors suggest that the subject's lot value will be less than that of this indicator.

Sale 5 is the September 2009 sale of 40 paper lots in Alameda for \$75,000 per lot. The transaction was originally put in escrow in early 2005 and the purchase price was re-negotiated prior to close of escrow. The buyer obtained entitlements and processed a zone change from industrial to residential during the escrow period and the project was required to include six below market rate units. The project, Grand Marina Village, is located at the northwest corner of Grand Street and Fortmann Way, adjacent to the Grand Marina. The product type is three-story single family detached with lot sizes typically 2,500 square feet.

According to the broker familiar with the deal, joint infrastructure reimbursement requirements, soil stability surcharges, and toxic soils put downward pressure on the residual land value and ultimately what the buyer was willing to pay for the paper lots. Based on the appraiser's research, home sizes range from 2,150± to 2,375± square feet, with base pricing ranging from \$695,000 to \$728,000, respectively. Homes began selling in April 2010 and as of the effective date of this report, twenty-three had closed with seven more in contract. Absorption has averaged between approximately 1.5 to 2 homes per month. Traffic and sales activity has recently slowed in recent months, according to agents working at the sales office. This was also reported as not unusual given that some of the early traffic was local residents and not serious buyers. Based upon the costs to finish the lots and the lot purchase price, the residual finished lot purchase price was approximately 31-33% of the finished home price.

The product type is similar to the subject but the location is considered superior. Market conditions at the time of close were inferior to current. The costs to finish and permits and fees exceed that of the subject. All factors considered, the subject's lot value will be above this indicator.

Conclusion of the Sales Comparison Approach. Before adjustments, the comparables indicate a range from \$75,000 to \$173,333 per lot as shown in the table below.

Comp No.	Subject Value Less Than/ Greater Than	Sale Price/ Lot	Sale Date	Number of Lots
S-2	<	\$241,430	December 2010	42
S-1	<	\$218,500	June 2011	88
S-3	<	\$195,370	November 2010	54
S-4	<	\$173,333	April 2010	69
<i>Subject Range from \$75,000 to \$173,333 per lot</i>				
S-5	>	\$75,000	September 2009	40

After adjustments for location, costs to finish, and the other most relevant elements of comparison, the comparables indicate a range from \$90,000 to \$125,000 per paper lot. Sale 5 is considered to be the most comparable to the subject with regard to location. However, this comparable is the most dated sale in the data set and the deal structure was complicated by the specifics of the site.

It is noted that the property appraised has more lots than the comparables, suggesting a more protracted absorption period and a lower per lot value indication. This would suggest a value toward the lower end of the adjusted range or \$100,000 per lot is appropriate. Discussions with brokers and home builders indicated that finished lot prices as a percentage of home selling prices typically range between 30% and 45%. Based on the appraiser's research, it is reasonable to conclude that homes in the subject project would sell in the range of \$600,000-\$650,000. The \$100,000 per paper lot value indication and the costs to finish the lots sum to equal 35-38%± of the average home sale price. This extraction analysis suggests that the paper lot value indication is reasonable and further supports the conclusion.

Given the total number of paper lots, the market value indication is as follows:

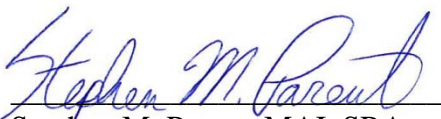
$$130 \text{ Paper Lots @ } \$100,000/\text{Paper Lot} = \$13,000,000$$

Note: The analysis and conclusions above are subject to the hypothetical conditions and extraordinary assumptions stated in this report. This value is subject to the hypothetical condition that the property appraised is tentative map approved for 130 residential units.

VI. APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial and unbiased and professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, I have completed the continuing education program of the Appraisal Institute.
11. I made a personal inspection of the property that is the subject of this report.
12. No one contributed real property appraisal assistance to the undersigned.


Stephen M. Parent, MAI, SRA
California Certified General
Real Estate Appraiser
Certificate No. AG042853

ADDENDUM

ITEM 1

PROFESSIONAL QUALIFICATIONS

**PROFESSIONAL QUALIFICATIONS OF
STEPHEN M. PARENT, MAI, SRA**



PROFESSIONAL EXPERIENCE

Bender Rosenthal Inc. – Senior Appraiser
Ribacchi-Weck Inc. – Commercial Appraiser
Equity Investor – Real Estate & Stocks
Indalex West, Inc., Watsonville, CA – Operations Manager
Indalex Inc., CT – Operations Manager, Process Improvement Manager
Senco Products Inc. – Engineer: Contributions in Process, Product, Project, Automation
Guardian Industries Corp. – Engineer: Contributions in Process, Project, Automation

APPRAISAL

Property Types Appraised:
Condemnation- Improved and unimproved commercial and residential properties involving partial acquisitions
Office – Existing and proposed office properties in Sacramento Region and Central Valley
Retail – Existing and proposed retail properties in Sacramento Region and Central Valley
Industrial – Existing and proposed industrial properties in Sacramento Region and Central Valley
Multi-family – Existing multi-family properties in Sacramento Region
Mixed Use – Existing and proposed mixed use properties in Sacramento Region and Central Valley
Subdivision – Existing and proposed residential subdivisions in Sacramento Region and Central Valley

PROJECT MANAGEMENT

Organizational, leadership, technical, and computer skills required to manage multi-million dollar projects including valuation, land acquisition, development, entitlement, plant expansion, and automation.

EDUCATION

Bachelor of Science Mechanical Engineering, University of Cincinnati, 1992
Masters in Business Administration, University of Cincinnati – Operations Management & Finance, 1999

Appraisal Institute and IRWA Courses

Advanced Applications, Advanced Income Capitalization, Advanced Sales Comparison & Cost App., Highest & Best Use & Market Analysis, Basic Income Capitalization, Real Estate Finance & Value & Investment, Report Writing and Valuation Analysis, Litigation and Expert Witness, Appraising properties in Foreclosure, Real Estate Practice, Real Estate Appraisal, Real Estate Principles, Real Estate Law/Finance, USPAP & Business Ethics, Easement Valuation, Condemnation Appraising: Principles and Applications.

PROFESSIONAL ASSOCIATIONS AND MEMBERSHIPS

MAI and SRA Designated Member of the Appraisal Institute (462735)
Certified General Real Estate Appraiser, State of California (CA 042853)
Licensed California Broker (CA 01433367)
Litigation Certificate of Completion - Appraisal Institute
Member, International Right of Way Association
Member, Association of Commercial Real Estate Brokers
Member, Floodplain Management Association